



McDowell Sonoran Preserve Commission

April 13, 2023

- 1. Call to Order**
- 2. Roll Call**



Item #3

Public Comment

McDowell Sonoran Preserve Commission – April 13, 2023



Item #4
Approval of Minutes

McDowell Sonoran Preserve Commission – April 13, 2023



Item #5

Finance Update

Gina Kirklin, Enterprise and Finance Director

McDowell Sonoran Preserve Commission – April 13, 2023



CITY OF
SCOTTSDALE

Funding City Operations and Capital Needs

*Excerpts from the
City Treasurer's Office presentation to the
Protect and Preserve Task Force
April 13, 2023*

Full presentation provided to PPSFT on March 15, 2023

Operating Revenues

General Fund

*Restricted
Revenues*

*Enterprise
Revenues*

General Fund
\$387.2M

Restricted Revenues
\$198.3M

Enterprise Revenues
\$215.0M

FY22/23 Budget
Operating Revenues

\$800.5M

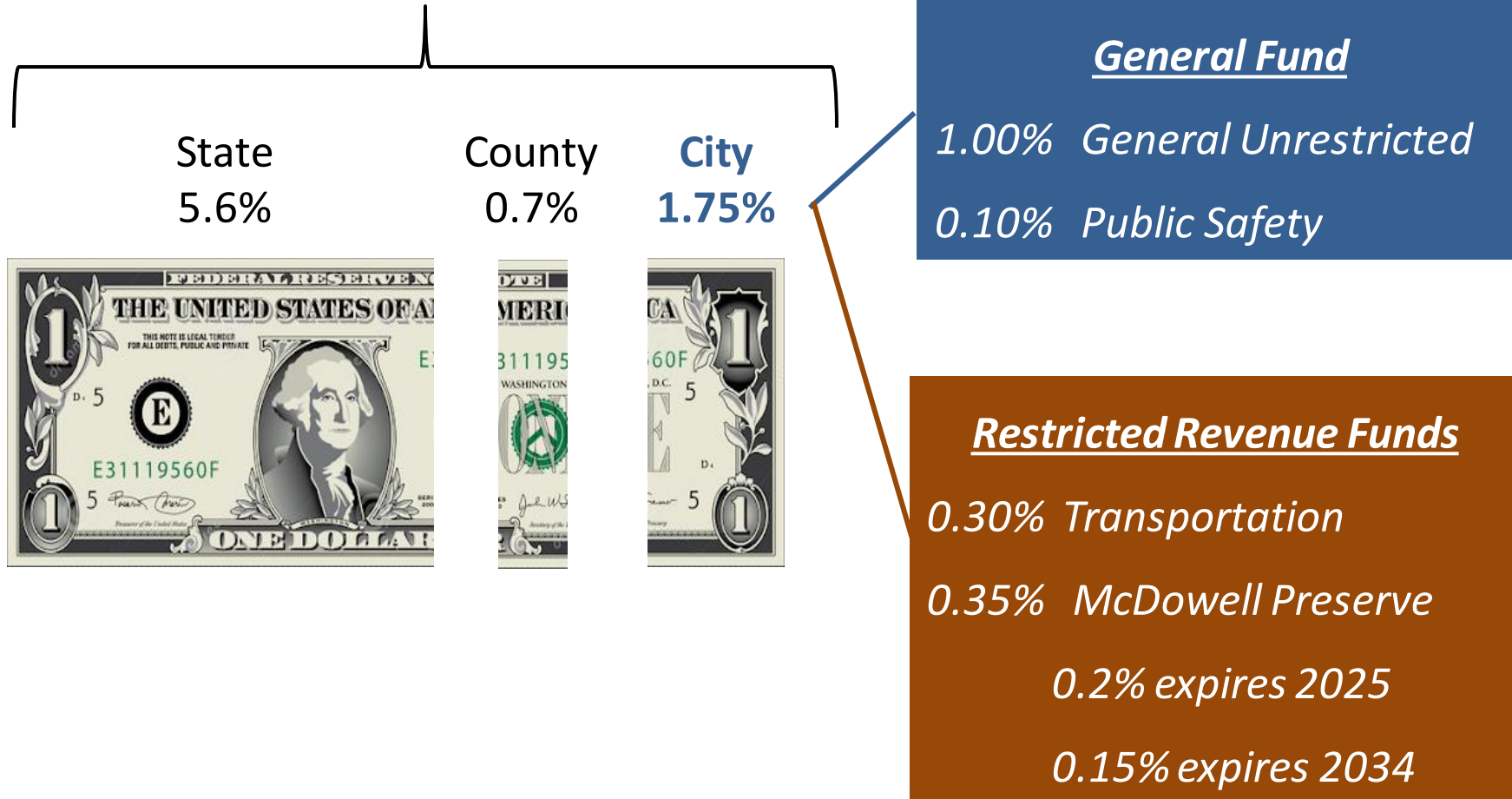
*(excludes internal service funds and
capital projects funds)*

Largest Sources of Operating Revenues

1. *Local Sales Tax*
2. *State Shared Revenues*
3. *Property Tax*
4. *Fees and Charges*

1. Local Sales Tax

Total Sales Tax Rate 8.05%



Hotels/motels pay an additional 5% bed tax to the city

Recreational marijuana pays an additional 16% tax allocated to public safety, highway user revenue fund, community college, criminal justice and other,

Sales Tax is Volatile

Economic Downturns:

- Mild recessions (1%-3% reduction, 1-2 years of negative growth)
- Great recession (30+% reduction, 3 years of negative growth)

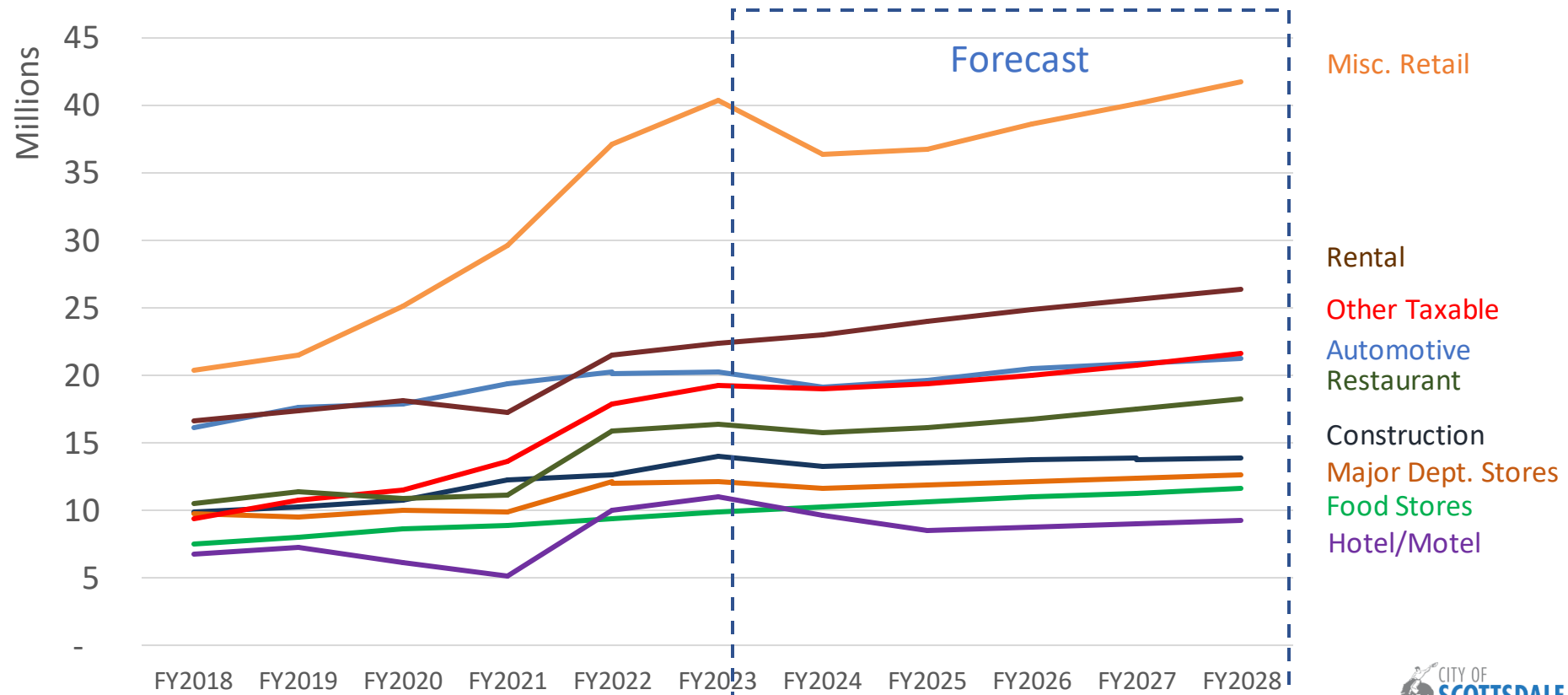
Sales Tax is Volatile

Factors that have Increased Sales Tax Collections:

- 2018 Wayfair economic nexus (taxing of remote sellers)
- 2020 Prop 207 (taxing of recreational marijuana)
- Growth in:
 - Consumer online spending
 - Restaurant activity
 - Visitors
- Recent supercharged increase:
 - Federal stimulus
 - Pandemic spending spree
 - Inflation

Preliminary Local Sales Tax Forecast

1% GF FY22/23
Budget
\$154.6M



Legislative Reduction of Sales Tax

Notable Proposed Bills this Session that Reduce Sales Tax :

- SB1184 (**vetoed**) – eliminate residential rental tax (\$13M)
- HB2061/SB1063 – eliminate food tax (\$11M)
- HB2807 – exemption, reduce tax base for prime contracting
- SB1033 – exempt feminine hygiene and diaper products
- HB2185 – exempt safe firearms storage devices
- HB2446 – increase recipients (now includes Tribal entities) for public safety portion of Prop 207 distribution (10% reduction to existing recipients)

2. State Shared Taxes – General Fund



State Sales Tax

(25% to cities)



State Income Tax

(15% to cities)



Vehicle License Tax

(20% to cities)

State Reduction in Shared Revenues

Income Taxes:

- Corporate Income Tax - gradually reduced from 6.968% in 2013 to 4.9% in 2017
- Individual Income Tax – reduced to Flat 2.5% starting 2023 (\$8M)

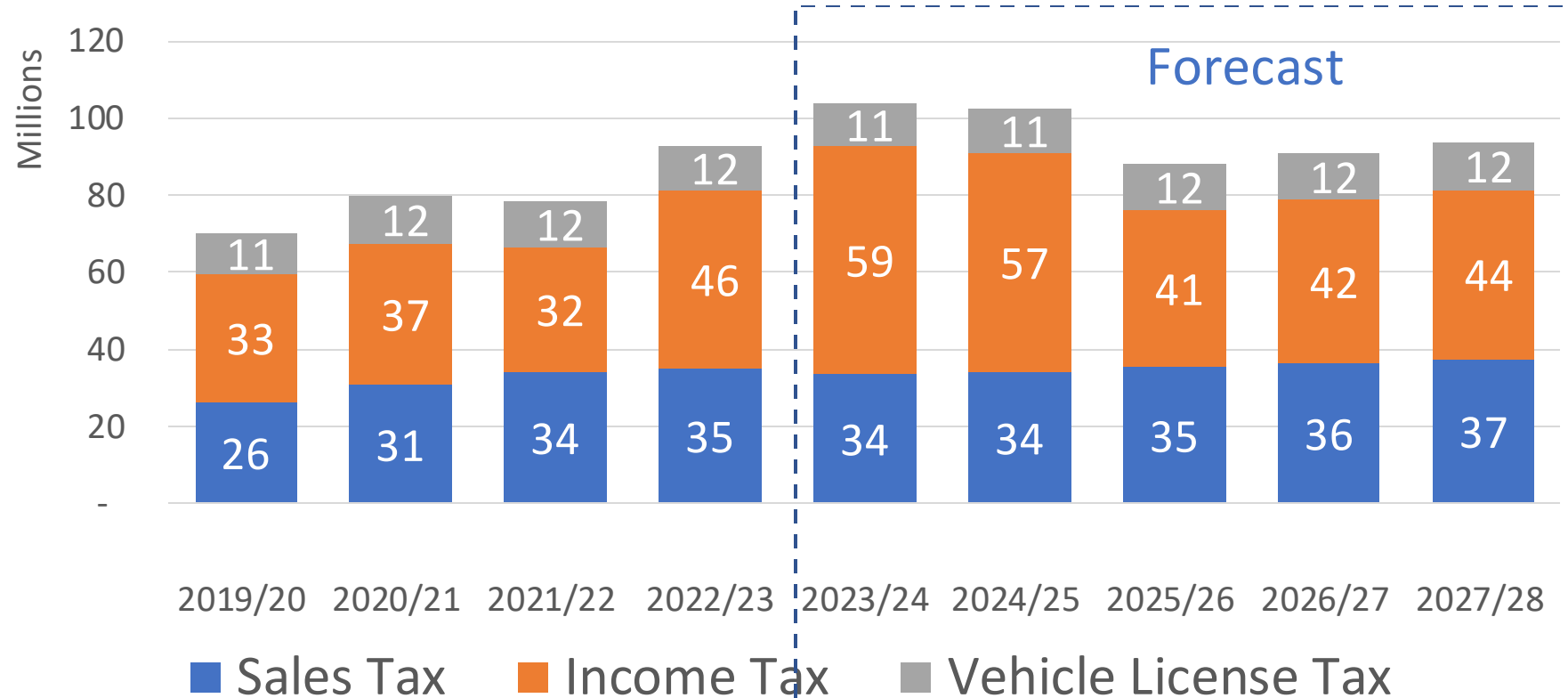
State Reduction in Shared Revenues

Notable Bills this Session that Reduce State Shared Taxes :

- HB2003 – reduce corporate income tax from 4.9% to 2.5%
- SB1260 – reduce small business income tax from 2.8% to 2.5%
- HB2014 – increase corporate tax credits
- SB1577 – reduce individual income tax rate by 50% of structural surplus each year
- SB1245 (failed) – restrict vehicle license tax to transportation
- All bills affecting sales tax will affect state shared sales tax

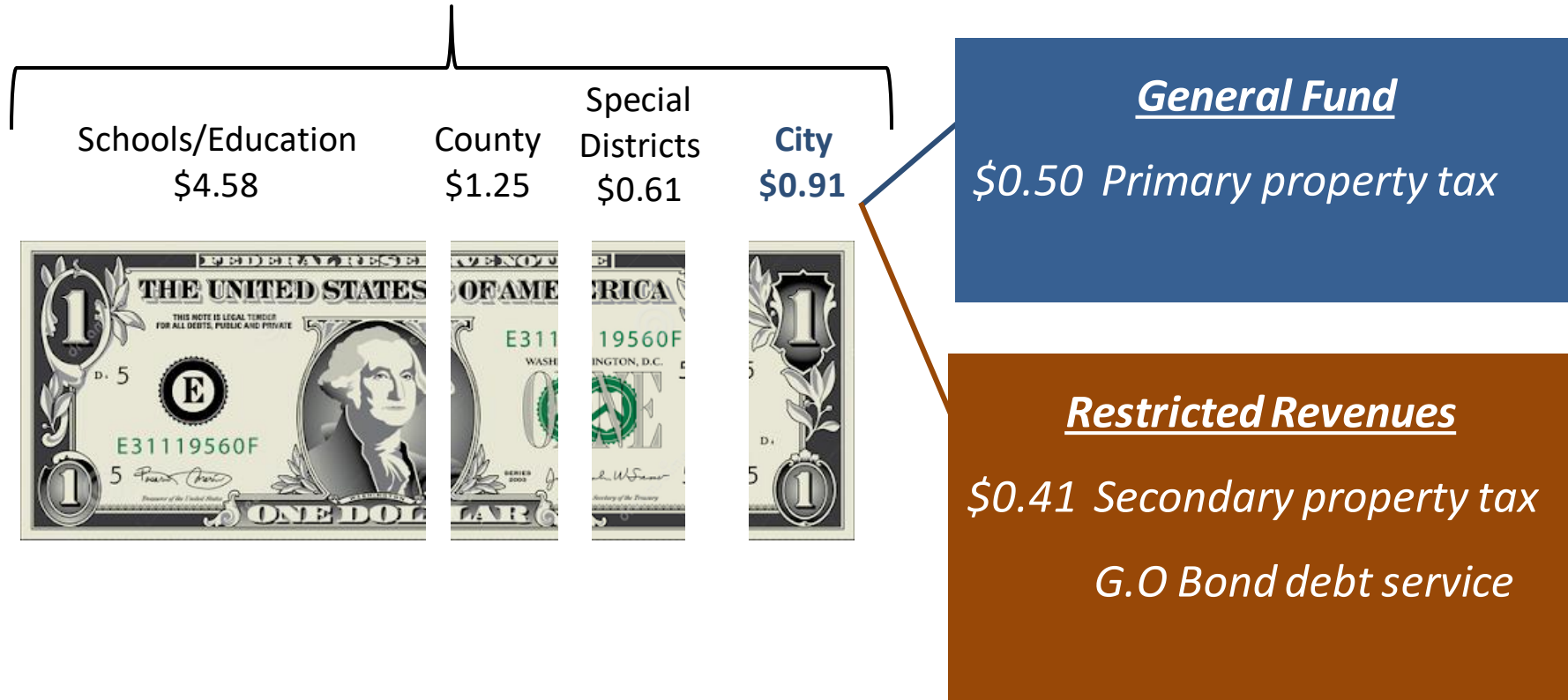
Preliminary State Shared Forecast

GF FY22/23
Budget
\$93.8M



3. Property Tax

Total Property Tax Rate *
\$7.35 per \$100 assessed value



* Rate may vary based on school district and additional special districts that property is in.

Restrictions on Property Taxes

Primary Property Tax:

- 1980 Prop 107– Levy growth limited to 2% + new construction
(this limits our primary property tax rate to about \$0.49 per \$100 of Taxable Assessed Value)
- 2015 Prop117 – Tax Assessed Value growth limited to 5%

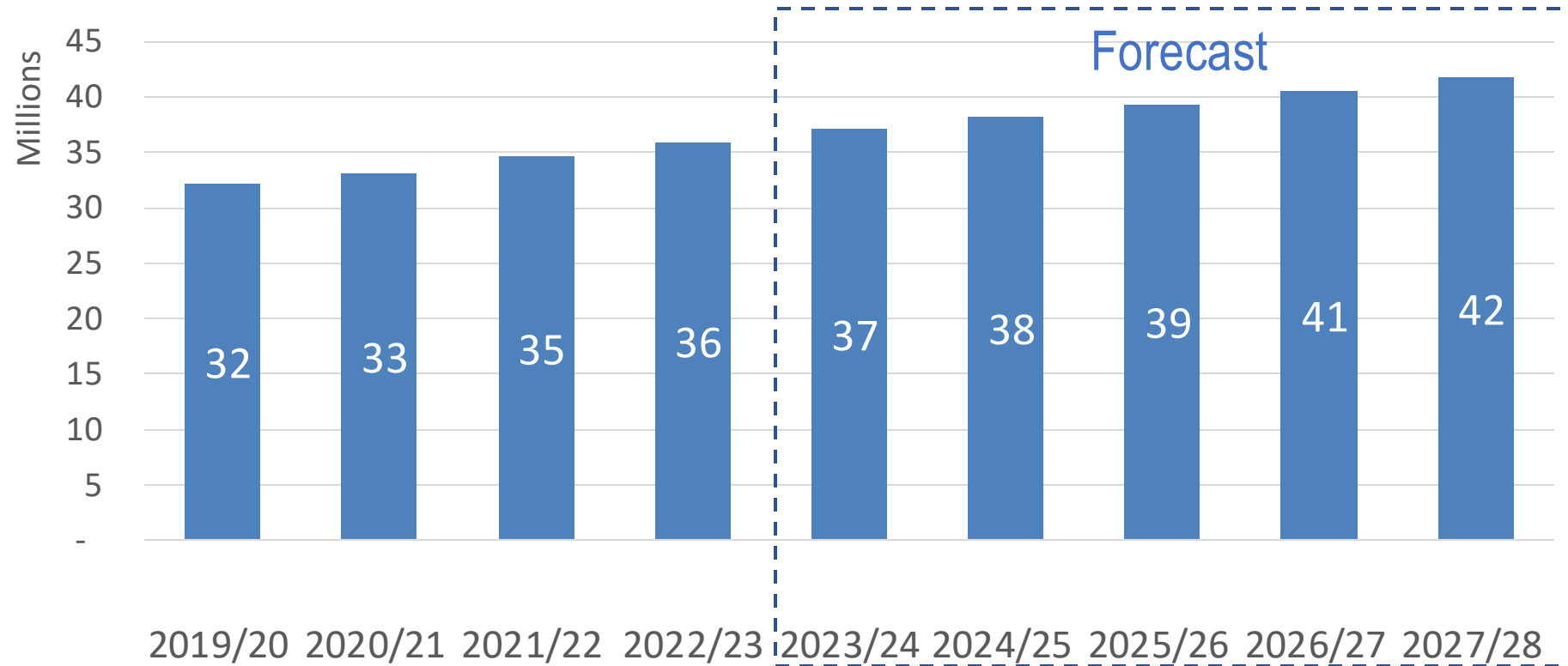
Property Tax Revenues

Notable Bills this Session that Affect Property Taxes :

- HB2064 – property tax exemption for persons with permanent disabilities
- SB1263 – exempt business personal property
- SB1276 – reduce assessed value of class one property (utilities, shopping centers, golf courses, other commercial / industrial properties)

Preliminary Property Tax Forecast

GF FY22/23
Budget
\$35.9M



Maximum Allowable

Primary Property Tax Rate * \$ 0.4897 \$ 0.4863

Operating Revenue Take Aways

Continued limitations on revenue growth

Challenging forecasting scenarios

Limited assurance of long-term forecasting accuracy

Questions/Comments



McDowell Sonoran Preserve Commission

Thursday, April 13, 2023

City Treasurer's Office



Preserve Fund Proposed FY24

	Forecast 2022/23	Proposed 2023/24	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28
Beginning Fund Balance	\$79.8	\$106.9	\$130.9	\$152.8	\$157.8	\$167.6
Revenues						
Sales Tax (0.20%)	34.2	32.7	33.2	1.6	0.2	0.0
Sales Tax (0.15%)	25.7	24.5	24.9	25.8	26.6	27.4
Interest Earnings	1.2	2.2	2.6	2.3	1.8	1.7
Total Sources	61.0	59.4	60.7	29.7	28.6	29.1
Transfers Out						
CIP	0.5	0.0	0.0	0.0	0.0	0.0
Debt Service (GO)	33.4	35.4	38.8	24.7	18.8	18.7
Total Uses	33.9	35.4	38.8	24.7	18.8	18.7
Ending Fund Balance	\$106.9	\$130.9	\$152.8	\$157.8	\$167.6	\$178.0

Amounts in \$millions

Preserve Fund Proposed FY24

	Forecast 2022/23	Proposed 2023/24	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28
Reserve for Debt Service	\$35.4	\$38.8	\$24.7	\$18.8	\$18.7	\$18.0
Restricted for Capital	71.6	92.2	128.2	139.1	149.0	160.1
Ending Fund Balance	\$106.9	\$130.9	\$152.8	\$157.8	\$167.6	\$178.0

	Forecast 2022/23	Proposed 2023/24	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28
Debt Service Coverage Test	1.5x	1.5x	1.5x	1.5x	1.5x	1.5x
Debt Service Coverage Actual	1.8x	1.6x	1.5x	1.1x	1.4x	1.5x

Amounts in \$millions

Preserve Sales Tax Cash Flow Assumptions

- Debt service is scheduled to be paid off in 2034, this forecast assumes no refunding opportunities, early cash defeasances or new issuances.
- Sales Tax forecast assumes no change in state or local tax policies, i.e., change in taxation of specific commodities.
- Cash flows have not been present value discounted.
- Prepared by City Treasurer's Office in March 2023, all forecasts are subject to change



Questions?





Item #6

Protect the Preserve Costs Kroy Ekblaw, Preserve Director

McDowell Sonoran Preserve Commission – April 13, 2023

Protect And Preserve Scottsdale Task Force

Phase	Timeline	Task
Phase 1	Feb-Mar 2023	Survey Community – Review/Refine Workplan
Phase 2	Apr-Aug 2023	Identify Unfunded Needs for -Parks, -Preserve and -other items from Survey
Phase 3	Aug-Nov 2023	✓ Explore Funding Options ✓ Survey Community as needed ✓ Develop Financial Strategy and Funding Recommendations
Phase 4	Nov 2023-Jan 2024	Develop Report and Present to Council
Phase 5	TBD	Community Education and Outreach

Protect And Preserve Scottsdale Task Force

Phase	Timeline	Task
Phase 1	Feb-Mar 2023	Survey Community – Review/Refine Workplan
Phase 2	Apr-Aug 2023	Identify Unfunded Needs for -Parks, -Preserve and -other items from Survey
Preserve Commission	Mar-Aug	Update Protect the Preserve Forecasts and Provide to Task Force
Phase 3	Aug-Nov 2023	✓ Explore Funding Options ✓ Survey Community as needed ✓ Develop Financial Strategy and Funding Recommendations
Phase 4	Nov 2023-Jan 2024	Develop Report and present to Council
Phase 5	TBD	Community Education and Outreach

DRAFT – PRESERVE COST PROJECTION WORKSHEET - Update December 3, 2021 - DRAFT

- Primary Guiding Document for the Commission: Existing Preserve Ordinance Purpose and Management Objectives (see attachment)
- Key goal of this effort by the Commission: **Assure Long term Sustainability of the Preserve for the next 25 years and beyond.**

The Commission has developed this DRAFT Summary of certain base Preserve Costs by evaluating policy elements for yearly and short/long term cost projections for Council consideration of on-going funding solutions to support the goal of long-term sustainability of the Preserve. The Commission requests City Council feedback on the following proposed items and projected Preserve costs:

Policy Item		Cost Projections for 30 years			
Council Strategic Objective – Preserve Meaningful Open Space – Question #1		One-time cost(s)			
1. Land Acquisition priorities – assess and update the recommended study boundary and address likely cost implications and if any additional land acquisition funding would be needed. (Land Acquisition Plan)	Return to CC in summer 2022 with overview of opportunities that exist primarily within R5B and some limited options outside R5B for consideration	\$50-70M-Use existing Tax \$75-250M – would require new funding source plus Debt service \$250M – would require new funding source plus Debt service			
Council Strategic Objective – Preserve Meaningful Open Space – Question #2		Yearly Costs for possible new funding source		Matching/Alternate fund potential	One-time cost(s)
2.A. Daily Preserve operations and maintenance – identify all current and anticipated costs of managing and operating the Preserve involved in the yearly Scottsdale Budget (Ordinance)	All historic/projected core Preserve daily/yearly costs -Trailheads and trails clean and maintained -Maps, signs, info printing and tech support -Volunteer support -Added project mgmt./admin - new projects	Historic/Projected Cost = \$900,000/yr. Volunteer Support + 150,000/yr. Project Management + \$200,000/yr. Total = \$1,250M/yr.		Match unlikely for most elements Pursue Trail Maintenance Grants \$0-50K Benefits of Volunteer support Example of MSC value of \$1.5M/yr.	
2.B. Sonoran Desert Preservation and Education: ➤ Education - Support education to maintain the Preserve in perpetuity. ➤ Preservation – Study of local plants, wildlife and natural resources to maintain the biological diversity and long-term sustainability of the area's ecology. (Ecologic Resource Plan)	Education – Expand learning programs for all residents, visitors and Preserve users. Maximize opportunities to coordinate with Conservancy and partner with schools Preservation – ERP update to prioritize long-term monitoring target species and urban edge issues to provide “early warnings” of potential threats to Preserve diversity and sustainability -All Research to support Education	Low	Medium	High	\$200K -ERP Update Propose General Fund 2022-23 funding and immediately initiate update to be able to use outcome to refine projected costs for research elements
		\$150K/yr.	\$300K/yr.	Pursue \$250-400K matching funds = \$550/yr. Various School Districts support, other education support Grant programs, etc.	
2.C. Corridor protection – Wildlife Crossing(s) - future improvements to Rio Verde (Dynamite) Road where it crosses the Preserve.	Primary Cost for improvement of a Rio Verde Land Bridge and wildlife crossings 128 th street	\$250K/yr.	\$500K/yr.	Pursue \$800K-1M in matching funds = \$1.3M/yr. Indian Gaming, Partnerships with other Land Managers and Universities, Botanical Garden, Regional Science Consortiums, etc.	\$10M +(?)
2.D. Invasive plants, Wildland Fire mitigation and restoration projects - removal/management of invasive species, mitigation of fuels to minimize threat of wildland fire and long-term needs to restore past or future disturbances within the Preserve. (Wildland Fire Protection Plan and Ecologic Resource Plan)	Invasive Plant Management – Yearly Treatment of 50-200 acres of invasives	\$150K/yr.	\$250K/yr.	Pursue \$0 - 150K/yr. State and Federal Programs = \$300-400K/yr.	
	Wildland Fire Mitigation – Yearly fuel reduction of 94 corridor miles (335 acres)	\$170K/yr.	\$250K/yr.	Pursue \$0 - 100K/yr. State and Federal Programs = \$270-350K/yr.	
	Restoration Projects – One time restoration of +/-200 acres of previously disturbed land			Match opportunities	\$2-4M
	Monitoring, assessment of progress for all three elements	\$100K/yr.	\$150K/yr.	TBD	
2.E. Trailhead and trails master plans evaluate Plans and update costs and funding options for any remaining projects. (Access Areas Master Plan and Trails Master Plan)	Shade for education spaces, Water Toms Thumb and Fraesfield, equestrian resurfacing Gateway, Browns & Toms Thumb, Complete Boundary control, resolve Ringtail, 104 th &Bell			Match opportunities	\$12M
2.F. Cultural Master Plan identify future projects, anticipated costs and funding options (Cultural Resource Master Plan)	Complete Cultural Surveys for un-surveyed areas in the Preserve	\$60K/yr.	\$80K/yr.	Pursue State and Federal Programs Match TBD	\$200-400K
2.A – 2.F Totals		Base Cost options for possible new Taxpayer funding		Alternate Fund Sources \$0 – 1.7M/yr.+	\$27M
		\$2,130,000/yr.	\$2,790,000/yr.	Estimated Volunteer Value \$1.5M/yr.+	(Use existing tax?) (Clarify 420?)

Protecting the Preserve: **Commission Cost Projections**

	Yearly Costs	One-Time Costs
Daily Preserve Activities and Operations	\$1,250,000	
Sonoran Desert Preservation and Education	\$400,000-800,000	
Habitat Protection	\$420,000-650,000	\$2,000,000-4,000,000
Cultural History Protection	\$60,000-80,000	\$400,000
Corridor Protection		\$10,000,000
Trails and Trailheads		\$12,000,000
Public Safety	(TBD – Upcoming FY 22/23 budget process to be added)	
Total	\$2,100,000 – 2,800,000	\$27,000,000

City Council Work Study - January 11, 2022

Council Strategic Objective – Preserve Meaningful Open Space – Question #2		Yearly Costs for possible new funding source		Matching/Alternate fund potential	One-time cost(s)
2.A. Daily Preserve operations and maintenance – identify all current and anticipated costs of managing and operating the Preserve involved in the yearly Scottsdale Budget (Ordinance)	All historic/projected core Preserve daily/yearly costs -Trailheads and trails clean and maintained -Maps, signs, info printing and tech support - Volunteer support -Added project mgmt./admin - new projects	Historic/Projected Cost = \$900,000/yr. Volunteer Support + 150,000/yr. Project Management + \$200,000/yr. Total = \$1,250M/yr.		Match unlikely for most elements Pursue Trail Maintenance Grants \$0-50K Benefits of Volunteer support Example of MSC value of \$1.5M/yr.	
2.B. Sonoran Desert Preservation and Education: ➤ Education - Support education to maintain the Preserve in perpetuity. ➤ Preservation – Study of local plants, wildlife and natural resources to maintain the biological diversity and long-term sustainability of the area's ecology. (Ecologic Resource Plan)	Education – Expand learning programs for all residents, visitors and Preserve users. Maximize opportunities to coordinate with Conservancy and partner with schools	Low \$150K/yr.	Medium \$300K/yr.	High Pursue \$250-400K matching funds = \$550/yr. Various School Districts support, other education support Grant programs, etc.	\$200K -ERP Update Propose General Fund 2022-23 funding and immediately initiate update to be able to use outcome to refine projected costs for research elements
	Preservation –ERP update to prioritize long-term monitoring target species and urban edge issues to provide “early warnings” of potential threats to Preserve diversity and sustainability -All Research to support Education	\$250K/yr.	\$500K/yr.	Pursue \$800K-1M in matching funds = \$1.3M/yr. Indian Gaming, Partnerships with other Land Managers and Universities, Botanical Garden Regional Science Consortiums, etc.	
2.C. Corridor protection – Wildlife Crossing(s) - future improvements to Rio Verde (Dynamite) Road where it crosses the Preserve.	Primary Cost for improvement of a Rio Verde Land Bridge and wildlife crossings 128 th street			Match ADOT or \other options??? TBD	\$10M +(?)
2.D. Invasive plants, Wildland Fire mitigation and restoration projects - removal/management of invasive species, mitigation of fuels to minimize threat of wildland fire and long-term needs to restore past or future disturbances within the Preserve. (Wildland Fire Protection Plan and Ecologic Resource Plan)	Invasive Plant Management – Yearly Treatment of 50-200acres of invasives	\$150K/yr.	\$250K/yr.	Pursue \$0 - 150K/yr. State and Federal Programs = \$300-400K/yr.	\$2-4M
	Wildland Fire Mitigation – Yearly fuel reduction of 94 corridor miles (335 acres)	\$170K/yr.	\$250K/yr.	Pursue \$0 - 100K/yr. State and Federal Programs = \$270-350K/yr.	
	Restoration Projects – One time restoration of +/-200 acres of previously disturbed land			Match opportunities TBD	
	Monitoring, assessment of progress for all three elements	\$100K/yr.	\$150K/yr.		
2.E. Trailhead and trails master plans evaluate Plans and update costs and funding options for any remaining projects. (Access Areas Master Plan and Trails Master Plan)	Shade for education spaces, Water Toms Thumb and Fraesfield, equestrian resurfacing Gateway, Browns & Toms Thumb, Complete Boundary control, resolve Ringtail, 104 th &Bell			Match opportunities TBD	\$12M
2.F. Cultural Master Plan identify future projects, anticipated costs and funding options (Cultural Resource Master Plan)	Complete Cultural Surveys for unsurveyed areas in the Preserve	\$60K/yr.	\$80K/yr.	Pursue State and Federal Programs Match TBD	\$200-400K
2.A – 2.F Totals		Base Cost options for possible new Taxpayer funding		Alternate Fund Sources \$0 – 1.7M/yr.+	\$27M
		\$2,130,000/yr.	\$2,790,000/yr.	Estimated Volunteer Value \$1.5M/yr.+	(Use existing tax?) (Clarify 420?)



Questions/Discussion



Item #7

Staff Reports

McDowell Sonoran Preserve Commission – April 13, 2023



Item #8

Upcoming Meeting Dates, Locations, and Agenda Items

McDowell Sonoran Preserve Commission – April 13, 2023

Upcoming 2023 Meetings:

- **April 27th** – *Special* – Protect Preserve Costs
 - Possible early start? 3:30?
- **May 4th** – *Regular* – Protect and Preserve Costs
- **June 1st** – *Regular* – Large Mammal Survey; Protect and Preserve Costs



Item #9

Commissioner Comments

McDowell Sonoran Preserve Commission – April 13, 2023



Item #10 Adjournment

McDowell Sonoran Preserve Commission – April 13, 2023